Markel Syndicate 3000

Annual Report and Financial Statements for the year ended 31 December 2020

MARKEL®

Syndicate 3000
Annual Report and Financial Statements
for the year ended 31 December 2020

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Directors and Administration

Managing Agent

Markel Syndicate Management Limited

Board of Directors

John W J Spencer (Chair)
Wai-Fong Au
Andrew J Davies
James Hastings
Nicholas J S Line
Kalpana Shah
William D Stovin
Anne Whitaker
Simon Wilson

Company Secretary

Lara Teesdale

Managing Agent's registered office

20 Fenchurch Street
London
EC3M 3AZ

Managing Agent's registered number

3114590

Syndicate

3000

Active Underwriter

Nicholas J S Line

Bankers

Bank of New York
Barclays Bank PLC
Citibank N.A.
Royal Bank of Canada
Royal Trust

Investment Managers

Markel Gayner Asset Management Corporation

Registered Auditor

KPMG LLP, London

Lawyers

Norton Rose Fulbright LLP, London

Report of the Directors of the Managing Agent

The Directors of the Managing Agent submit the Annual Report and Financial Statements of Syndicate 3000 for the year ended 31 December 2020.

Review of the business

Markel Syndicate 3000 (“the Syndicate”) is the Lloyd’s platform for Markel International Holdings Limited ("MINT"). MINT also writes business through Markel International Insurance Company Limited (“MIICL”) and Markel Insurance SE ("MISE").

The principal activity of the Syndicate remains the transaction of general insurance and reinsurance business from its offices in London and its overseas operations in Canada, Singapore, Labuan, Hong Kong, Dubai, China, Brazil and India.

Business profile and units

The Syndicate operates seven London based underwriting units, namely marine, energy, professional and financial risks, equine and livestock, cyber, trade credit, political risk and surety and reinsurance. In Canada, Markel Canada Limited ("Markel Canada"), a wholly owned subsidiary of Markel Corporation ("Markel") underwrites a diverse portfolio of property and casualty coverages for Canadian domiciled insureds, which is placed through the Syndicate. Markel Canada provides primary general liability, trade credit, marine, excess and umbrella, environmental liability and cyber risks. It also writes professional indemnity and directors' and officers' products.

The Syndicate's Singapore office operates as a regional hub, supporting the Labuan and Hong Kong offices and underwrites marine and energy, professional and financial and trade credit risks throughout the Asia Pacific region. The Syndicate is also a member of Lloyd's platforms in Dubai, Shanghai, Japan and India.

The seven London based operating units are:

Marine

Coverage includes primary and excess coverage for liability, hull and war, terrorism, specie and cargo risks worldwide, handling a comprehensive range of risks for multinational companies, national industries and private individuals.

The cargo account comprises a broad portfolio of transit and storage risk covering most industries on a global basis. The hull account covers physical damage to ocean-going tonnage, yachts, building risks and mortgagee's interest. The war account offers coverage for marine and aviation war across all vessel types and tonnages. The liability account offers a range of traditional marine liability cover as well as ports and terminals, marine trades, and energy offshore and onshore coverages. The terrorism account covers physical damage resulting from terrorism, war and political violence. The specie account includes a range of cover for fine art, specie, jewellers' block, and cash in transit, on a worldwide basis.

Energy

Energy offers coverage on a worldwide basis for all aspects of upstream, downstream and midstream oil and gas activities. Coverage includes business interruption or loss of production income, construction of energy related structures, control of wells and physical damage to installations. The team also offers coverage for renewable energy sources including coverage for the full life-cycle of onshore and offshore wind farms and solar photo voltaic installations, from procurement to construction to the completed operations.

Professional and Financial Risks

The Professional and Financial Risks team provides cover on a worldwide basis. This team underwrites professional indemnity, entertainment, financial institutions insurance, commercial directors' and officers' liability ("D&O"), financial technology cover and technology and media cover.

The professional indemnity account services most core, regulated and miscellaneous professions which include architects and engineers, insurance brokers, recruitment agents, educational establishments and more.

The entertainment team writes a broad book of film and media insurance which includes commercial producer's indemnity, film insurance, production package and more.

Financial institutions insurance can provide cover on a stand-alone basis or as a blended package to include bankers blanket bond, professional indemnity and D&O, depending on the client's requirements.

Commercial D&O offer market leading products which provide a wide range of coverage to ensure protection for directors and officers of companies of all types and sizes.

Financial technology provides cover for a range of fintech companies, including professional liability, directors' and officers' liability, theft and cyber liability, and loss.

Technology and media provides modular cover for clients in the technology and telecommunications field, specialising in media, film, television, information technology and more.

Cyber

The cyber account targets a wide spectrum of industries from professional services to healthcare offering specialist cover for both third and first party losses on a modular basis. With a relatively broad appetite within the cyber team the cyber account covers a variety of exposures including cyber and privacy liability, extortion costs cover and system and data rectification and mitigation costs.

Trade Credit, Political Risk, and Surety

Our trade credit, political risk and surety teams have extensive experience in providing support with traditional and bespoke surety solutions for our clients.

The trade credit account coverage includes prepayment cover, insolvency and default, captive reinsurance, syndicated co-insurance solutions and financial institutions. Policies are designed to provide clients with certainty of cover and are underwritten with the aim of establishing a long-term partnership with the insured.

The political risk account has a broad range of coverage including insolvency or default by either a public or privately owned entity, licence cancellation, aircraft and vessel repossession, mortgage rights insurance and currency inconvertibility and exchange transfer.

The surety account coverage includes both contract and commercial bonds. The surety team can provide clients with both bespoke and traditional surety solutions.

Equine and Livestock

This team underwrites equine and livestock insurance, offering a wide portfolio of products to suit a broad range of risks, from large stud farms to individual horses and covering all uses across farm, zoo and other animal interests.

The equine account offers a wide portfolio of products including bloodstock and equine liability to suit a broad range of risks, from large stud farms to individual horses.

The livestock account provides individually tailored insurance solutions for the largest livestock companies, having operations in several countries. Coverage includes cattle, zoos and aquaria, poultry, pigs and animals in transit.

Reinsurance

This unit includes accident and health ("A&H") treaties and international casualty treaty business.

The A&H treaty account offers catastrophe reinsurance covering personal accident, life, medical and workers compensation. In most countries, full terrorism coverage can also be provided, in addition to traditional exposures.

The casualty treaty team underwrites a diversified account, including general liability, professional indemnity, directors' and officers' liability and medical malpractice. The portfolio is worldwide, excluding United States domiciled business.

Results and performance

The results for the year, as set out on pages 16 to 17, show a loss for the financial year of £114.0m (2019, profit of £2.5m).

The underwriting result, a loss of £145.2m (2019, £35.7m loss) includes the unprecedented loss in relation to the COVID-19 global pandemic of £152.7m adding 32.9 points on the combined ratio. The underwriting result also included a £18.4m loss in relation to 2020 natural catastrophes (Derecho storms and hurricane Laura). Whilst neither of these catastrophes exceeded the Syndicate’s risk appetite for market events of this size, they further contributed 4.0% to the combined ratio.

The investment return was £33.7m (2019, £40.6m) generating a yield of 3.6% (2019, 4.5%) on the investment portfolio.

The loss for the financial year of £114.0m (2019, loss of £2.5m) reflects the underwriting loss described above, partially offset by the solid investment return.

Events since the reporting date

There have been no material events since the reporting date.

Key Performance Indicators

Annual Accounting Data Income Statement	**2016 £'m**	**2017 £'m**	**2018 £'m**	**2019 £'m**	**2020 £'m**
Gross written premiums	485.8	564.6	515.1	543.1	521.9
Net written premiums	398.3	488.3	446.4	477.3	456.3
Retention rate	82.0%	86.5%	86.7%	87.9%	87.4%
Net earned premiums	**387.2**	**473.3**	**470.1**	**458.0**	**464.4**
Net underwriting result	**11.6**	**(102.7)**	**(28.9)**	**(35.7)**	**(145.2)**
Loss & LAE ratio	53.0%	80.5%	65.5%	64.8%	91.3%
Expense ratio	44.0%	41.2%	40.7%	43.0%	40.0%
Combined ratio	**97.0%**	**121.7%**	**106.2%**	**107.8%**	**131.3%**
Investment return	18.2	23.6	8.3	40.6	33.7
Investment yield	2.0%	2.5%	0.9%	4.5%	3.6%
Profit/(loss)	**37.6**	**(80.5)**	**(15.0)**	**2.5**	**(114.0)**

Statement of Financial Position	**2016 £'m**	**2017 £'m**	**2018 £'m**	**2019 £'m**	**2020 £'m**
Financial investments and cash	980.9	888.2	897.7	875.4	942.5
Gross claims outstanding	1,103.3	1,283.6	1,231.8	1,124.0	1,184.6
Reinsurers' share of claims outstanding	154.1	255.6	210.9	170.6	134.5
Net claims outstanding	949.2	1,028.0	1,020.9	953.4	1,050.1

Three Year Accounting Data	**2016 £'m**	**2017 £'m**	**2018 £'m**	**2019 £'m**	**2020 £'m**
Syndicate Capacity	**500.0**	**500.0**	**500.0**	**450.0**	**475.0**
Underwriting result	23.1	(89.8)	(92.2)		
Investment result	10.1	29.6	26.4		
Result on closure	**18.3**	**62.6**	**(65.8)**		
Forecast return at 12 months	(3.5)%	(14.0)%	(9.0)%	1.5%	0.5%
Forecast return at 24 months	(5.0)%	(15.0)%	(8.0)%	(20.0)%	
Return on capacity at closure	**(1.3)%**	**(12.0)%**	**(13.0)%**		

- Underwriting losses of £300.9m over the period 2016 – 2020, generated an average combined ratio of 113.4%. The 2016 year was impacted by natural catastrophe losses on the Alberta wildfires and hurricane Matthew with net losses of £17.9m. The 2017 year was impacted by several natural catastrophes with net losses of £74.6m; hurricane Harvey; hurricane Irma; hurricane Maria; Mexico earthquake; Northern and Southern California wildfires. The 2018 year was impacted by natural catastrophe net losses of £22.8m; California Wildfires; hurricane Florence; hurricane Michael. The 2019 year was impacted by the higher than expected losses on prior years of account. The 2020 year was impacted by £152.7m of COVID-19 losses and £18.4m of natural catastrophe losses on the Derecho storms and hurricane Laura. Excluding COVID-19 and natural catastrophe losses there was an underwriting loss over the period 2016 – 2020 of £22.3m, generating an average combined ratio of 101.0%. This poor underwriting performance includes results of business lines that were exited in 2018 (Open Market Property) or heavily restructured (Marine).

- Losses of £169.4m over the period 2016 to 2020 driven by the COVID-19 and natural catastrophe losses which are partially offset by the solid investment returns. The COVID-19 losses were predominantly driven by event cancellation impacting our Contingency book. During the year the decision was taken to exit this class of business as part of our underwriting assessment.
- There was an increase in financial investments and cash during 2020 primarily due to open year cash calls of £35.0m and £75.0m on the 2018 and 2019 years respectively. Partially offsetting these cash inflows was the £17.3m distribution payment in respect of the closure of the 2017 year.
- The decrease in reinsurers' share of claims outstanding during 2020 was primarily due to the settlement of claims and proactive collection of reinsurance recoveries.
- An average return on capacity of 9.6% for the 2002 to 2018 closed years of account.

Business environment and future prospects

The COVID-19 pandemic has caused unprecedented social and economic disruption, increased volatility of capital markets and intervention by various governments and central banks around the world. The Syndicate continues to monitor and respond to the global COVID-19 outbreak, in particular the impact on claims that are expected to arise on business previously written. COVID-19 impacted the result of the Syndicate with additional gross losses of £201.7m and net of reinsurance £152.7m, adding 32.9 points to the combined ratio. The losses were primarily a result of cancelled events from the enforced lockdown, impacting our Contingency book.

The Directors have continued to review the capital position, business plans, liquidity and operational resilience of the Syndicate in light of the risks associated with COVID-19. The capital position is subject to internal stress testing and the Syndicate has also taken a number of underwriting actions on its future business, to limit the impact of the pandemic over the next few years. There is no intention to liquidate the Syndicate or to cease its operations. The 2021 year of account has been established and the Directors expect to establish a 2022 year of account, and are not aware of any reason why this will not be possible. They have also concluded that the Syndicate's financial position means that this is realistic. As a result, the directors have concluded that there are no material uncertainties that could cast significant doubt over the Syndicate's ability to continue as a going concern for at least a year from the date of approval of the Annual Accounts ("the going concern period").

With disciplined underwriting and a strong asset base, inclusive of the Funds at Lloyd's supporting the Syndicate's underwriting, the Syndicate is in an excellent position to capitalise on opportunities as they arise. The Syndicate will continue to apply Markel's underwriting discipline of underwriting for profit rather than volume and, accordingly, will decline business where the rates are not acceptable.

The Syndicate will continue to look to develop new lines of business and markets, within the parameters of the overall underwriting strategy. The Syndicate invests in high-quality corporate, government and municipal bonds as well as a diverse equity portfolio and plans to continue this investment strategy in 2021.

The Syndicate capacity for the 2021 year of account has remained constant at £475m.

In response to the operational and legal challenges posed by Brexit the Syndicate will continue to underwrite risks through the Lloyd's Insurance Company S.A ("Lloyd's Brussels"). Lloyd's Brussels was set up to ensure Lloyd's partners could continue to access the market's underwriting expertise and financial security across Europe. Lloyd's Brussels is authorised and regulated by the National Bank of Belgium, and writes all non-life risks from the European Economic Area ("EEA").

On 30 December 2020, the members of the Syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to Lloyd's Brussels, in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Member of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Following the sanction of the scheme by the High Court on 25th November 2020, the scheme took effect on 30 December 2020 and the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd’s Brussels, together with cash of $106.3m. On the same date, under the Reinsurance Agreement, Lloyd’s Brussels reinsured the same risks back, together with an equal amount of cash of $106.3m. The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there is no impact on the Syndicate’s income statement or balance sheet.

Current year underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with Society of Lloyd’s guidance no movements were processed on these policies on 31 December 2020. In future years, results relating to these risks will be reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd’s Brussels.

Principal risks and uncertainties

MINT has a Risk Register detailing the risks to which it is exposed, which includes all business underwritten by the Syndicate. Risks are grouped under the following categories:

- Underwriting Risk
- Reserving Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Group Risk
- Operational Risk

The COVID-19 pandemic has caused unprecedented social and economic disruption, increased volatility of capital markets and intervention by various governments and central banks around the world. The Syndicate continues to monitor and respond to the global COVID-19 outbreak which impacts a number of the above risk categories. The risk and capital management note (note 3) provides a detailed explanation of the above risk categories.

There are currently 26 risks in the Risk Register. A formal review by the Risk and Capital Committee and the Board occurs at least annually to ensure that the risk register identifies all the risks to which the Syndicate is exposed. Key controls are identified to mitigate each risk and quarterly confirmation is sought from the owners of these controls that they are in place and are operating effectively.

The Risk and Capital Committee meets quarterly to consider Key Risk Indicators and any risk issues that have arisen. These are summarised in the Chief Risk Officer's quarterly report to the Board.

An Own Risk and Solvency Assessment report is produced which is a forward looking assessment of the risk profile and adequacy of the Syndicate’s capital to meet solvency needs over the business planning time horizon. The Syndicate is in compliance with Solvency II.

Directors

The Directors of the Managing Agent who served during 2020 and up to the date of this report were as follows:

John W J Spencer	(Chair)
Simon Barrett	(Resigned 31/07/20)
Wai-Fong Au	(Appointed 07/10/20)
Andrew J Davies	
James Hastings	
Paul H Jenks	(Resigned 31/12/20)
Nicholas J S Line	
Ian Marshall	(Resigned 31/07/20)
Kalpana Shah	(Appointed 07/09/20)
Ralph C Snedden	(Resigned 31/12/20)
William D Stovin	
Anne Whitaker	
Simon Wilson	

Markel maintains liability insurance cover on behalf of the Directors and named officers of the Managing Agent.

The Syndicate is supported 100% by Markel Capital Limited ("MCAP") and therefore no Director has any participation.

Corporate governance

Markel Syndicate Management Limited ("MSM"), the Lloyd's Managing Agent of the Syndicate, is authorised by the Prudential Regulation Authority ("PRA"). The Board includes four non-executive Directors and meets at least quarterly. Sub-committees of the Board include the Executive Committee, Audit Committee, Risk and Capital Committee, Reserving Committee, Finance Committee, Remuneration Committee, Nominations Committee and Outsourcing Committee. A number of Management Committees, including Committees with a divisional focus, report to the Executive Committee.

Financial instruments and risk management

Information on the use of financial instruments by MINT and its management of financial risk is disclosed in note 3 of these Financial Statements. In particular, the Syndicate's exposures to price risk, credit risk and liquidity risk are separately disclosed in that note. The Syndicate's exposure to cash flow risk is addressed under the headings of 'Market risk', 'Credit risk' and 'Liquidity risk'.

Carbon policy

As set out in the “Markel Style”, the Syndicate has a commitment to its communities, which we recognise includes environmental responsibilities. Our goal is to minimise our environmental impact whilst still adhering to our other principles as expressed in the Markel Style and our company profile.

Through the development of best practices in our business, the Syndicate aims to use no more consumables than are necessary and recycle the maximum of those we do use. The Directors also believe that embedding environmental awareness throughout the organisation will be best achieved through a continuous program of employee education.

Disclosure of information to the Auditor

The Directors of the Managing Agent who held office at the date of approval of this Report of the Managing Agent confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Syndicate's Auditor is aware of that information.

Auditor

Pursuant to Section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Annual general meeting

As permitted under the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the sole corporate member has agreed that no annual general meeting will be held for the Syndicate.

By order of the Board,

Andrew Davies
Director
London

02 March 2021

Statement of Managing Agent's Responsibilities

The directors of the Managing Agent are responsible for preparing the Syndicate annual Financial Statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the directors of the Managing Agent to prepare Syndicate Financial Statements at 31 December for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

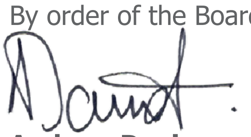
Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the Managing Agent must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these Financial Statements, the directors of the Managing Agent are required to:

- select suitable accounting policies which are applied consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The directors of the Managing Agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the Syndicate Financial Statements comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of Syndicate Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors of the Managing Agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of Syndicate Financial Statements may differ from legislation in other jurisdictions.

By order of the Board,



Andrew Davies
Director
London

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02 March 2021

Independent Auditor's Report
to the Member of Syndicate 3000

Opinion

We have audited the Syndicate annual accounts of Syndicate 3000 "The Syndicate" for the year ended 31 December 2020 which comprise the Income Statement: Technical Account, Income Statement: Non-Technical Account, Statement of Comprehensive Income and Member's Balances, Statement of Financial Position: Assets, Statement of Financial Position: Liabilities, Statement of Cash Flows, and related notes, including the accounting policies in note 2.

In our opinion the Syndicate annual accounts:
- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Syndicate in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors of the Managing Agent have prepared the Syndicate annual accounts on the going concern basis as they do not intend to cease underwriting or to cease its operations, and as they have concluded that the Syndicate's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Financial Statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Syndicate's business model and analysed how those risks might affect the Syndicate's financial resources or ability to continue operations over the going concern period.
Our conclusions based on this work:
- we consider that the Directors' use of the going concern basis of accounting in the preparation of the Syndicate annual accounts is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Syndicate's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit, audit committee and the legal, risk and compliance functions, and inspection of policy documentation as to the Syndicate and Managing Agent's high-level policies and procedures to prevent and detect fraud including the internal audit function, and the Syndicate's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Considering remuneration incentive schemes.
- Reading board, audit committee, and other relevant committee meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet performance targets and our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as incurred but not reported (IBNR) reserves and accrued premium income. On this audit we did not consider there to be a fraud risk related to revenue recognition, except in relation to the accrued premium income element, because of the industry standard methods for recording revenue.

We did not identify any additional fraud risks to those related to the accounting estimates.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing these entries to supporting documentation. These included those posted to cash accounts with unusual debits and credits, journals posted by specific individuals and post closing journals.
- Vouching specific accrued premium balances in the year to supporting underwriting documentation, including broker slips and policy documents and assessing unusual movements.
- Using our actuarial specialists to assess the appropriateness and consistency of the methods and assumptions used to estimate the IBNR for all reserving classes, assessing the results for evidence of bias. For a selection of classes of business we considered to be high risk, our actuarial specialists performed alternative reprojections to the actuarial best estimate using our own gross loss ratios and compared these to the Syndicate's results.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Syndicate annual accounts from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Managing Agent's regulatory and legal correspondence. We discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Syndicate is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Syndicate annual accounts varies considerably.

Firstly, the Syndicate is subject to laws and regulations that directly affect the Syndicate annual accounts including financial reporting legislation (including Lloyd's regulations) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Syndicate annual accounts items.

Secondly, the Syndicate is subject to many other laws and regulations, however, we did not identify any where the consequences of non-compliance could have a material effect on amounts or disclosures in the Syndicate annual accounts, other than those in respect of regulatory capital requirements and anti-bribery, recognising the regulated nature of the Syndicate and it's legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Syndicate annual accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Syndicate annual accounts, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information - Report of the Directors of the Managing Agent

The Directors are responsible for the Report of the Directors of the Managing Agent. Our opinion on the Syndicate annual accounts does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the Directors of the Managing Agent and, in doing so, consider whether, based on our Syndicate annual accounts audit work, the information therein is materially misstated or inconsistent with the Syndicate annual accounts or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Report of the Directors of the Managing Agent;
- in our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the Syndicate annual accounts; and in our opinion the information given in the Report of the Directors of the Managing Agent have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Matters on which we are required to report by exception

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Syndiacte annual accounts are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Responsibilities of the Directors of the Managing Agent

As explained more fully in their statement set out on page 11, the Directors of the Managing Agent are responsible for: the preparation of the Syndicate annual accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts that are free from material misstatement, whether due to fraud or error; assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Syndicate annual accounts.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Syndicate's member, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Syndicate's member, as a body, for our audit work, for this report, or for the opinions we have formed.

Karen Orr

Karen Orr (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London

02 March 2021

Income Statement: Technical Account

for the year ended 31 December 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
Earned premiums, net of reinsurance					
Gross written premiums	4	521,870		543,106	
Outward reinsurance premiums		(65,580)		(65,803)	
Net written premiums			**456,290**		**477,303**
Change in the gross provision for unearned premiums	17	8,359		(17,953)	
Change in the provision for unearned premiums, reinsurers' share	17	(223)		(1,354)	
Change in the provision for net unearned premiums			8,136		(19,307)
Net earned premiums			**464,426**		**457,996**
Allocated investment return transferred from the non-technical account	9		**33,742**		**40,558**
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(402,328)		(409,489)	
Reinsurers' share		84,336		61,563	
Net paid claims			(317,992)		(347,926)
Change in the provision for claims					
Gross amount	17	(70,419)		87,851	
Reinsurers' share	17	(35,454)		(36,873)	
Net change in provision			(105,873)		50,978
Net claims incurred			**(423,865)**		**(296,948)**
Net operating expenses	6		**(185,796)**		**(196,776)**
Balance on the technical account			**(111,493)**		**4,830**

All operations relate to continuing business.

The notes on pages 22 to 43 form part of these Financial Statements.

Income Statement: Non-Technical Account

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Balance on the technical account		**(111,493)**	**4,830**
Investment income	7	22,927	24,775
Unrealised gains on investments		18,093	20,474
Investment expenses and charges	8	(4,749)	(4,681)
Unrealised losses on investments		(2,529)	(10)
Allocated investment return transferred to technical account	9	(33,742)	(40,558)
Loss on exchange		(2,466)	(2,322)
(Loss)/profit for the financial year		**(113,959)**	**2,508**

All operations relate to continuing business.

The notes on pages 22 to 43 form part of these Financial Statements.

Statement of Comprehensive Income and Member's Balances

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
(Loss)/profit for the financial year		**(113,959)**	**2,508**
Net foreign exchange (losses)/gains on translation of functional currency		(1,501)	3,112
Total comprehensive (losses)/gains for the year		(115,460)	5,620
Member's balance brought forward at 1 January		**(109,801)**	**(199,686)**
Total comprehensive (losses)/gains for the year		(115,460)	5,620
Cash call of (losses)/payments of profit from/(to) the Member's personal reserve fund on closed years of account	16	(17,321)	6,745
Cash call of losses from the Member's personal reserve fund on open years of account	16	110,000	77,520
Member's balance carried forward at 31 December		**(132,582)**	**(109,801)**

The notes on pages 22 to 43 form part of these annual Financial Statements.

Statement of Financial Position: Assets

as at 31 December 2020

		2020		2019	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Investments					
Financial investments	13		794,573		777,149
Reinsurers' share of technical provisions					
Provisions for unearned premiums	17	10,647		11,079	
Claims outstanding	17	134,475		170,608	
			145,122		**181,687**
Debtors					
Debtors arising out of direct insurance operations	14	106,076		96,048	
Debtors arising out of reinsurance operations	14	40,205		21,819	
Other debtors	15	27,441		14,594	
			173,722		**132,461**
Cash at bank			147,952		98,276
Prepayments and accrued income					
Accrued interest		4,970		4,665	
Deferred acquisition costs	17	39,336		42,318	
			44,306		**46,983**
Total Assets			**1,305,675**		**1,236,556**

The notes on pages 22 to 43 form part of these annual Financial Statements.

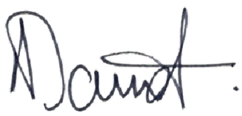
Statement of Financial Position: Liabilities

as at 31 December 2020

		2020		2019	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Capital and reserves					
Member's balance			(132,582)		(109,801)
Technical provisions					
Provisions for unearned premiums	17	178,031		190,203	
Claims outstanding	17	1,184,606		1,123,995	
			1,362,637		**1,314,198**
Creditors					
Creditors arising out of direct insurance operations	18	(2,813)		(8,238)	
Creditors arising out of reinsurance operations	18	461		(1,636)	
Other creditors	19	77,972		42,033	
			75,620		**32,159**
Total Liabilities			**1,305,675**		**1,236,556**

The notes on pages 22 to 43 form part of these annual Financial Statements.

The Syndicate annual accounts on pages 1 to 43 were approved by the Board of Directors on 02 March 2021 and were signed on behalf of Markel Syndicate Management Limited by Andrew Davies, Company Director.



Andrew Davies
Director
London

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02 March 2021

Statement of Cash Flows

for the year ended 31 December 2020

	2020		2019	
	£'000	£'000	£'000	£'000
Operating result	(113,959)		2,508	
Increase/(decrease) in gross technical provisions	48,439		(94,310)	
Decrease in reinsurers' share of gross technical provisions	36,566		41,890	
(Increase)/decrease in debtors, prepayments and accrued income	(38,585)		11,400	
Increase/(decrease) in creditors, accruals and deferred income	43,461		(71,097)	
Investment return	(33,742)		(40,558)	
Other Foreign exchange movement	(2,241)		2,322	
Net cash flows from operating activities		**(60,061)**		**(147,845)**
Acquisitions of other financial instruments	(491,717)		(432,941)	
Proceeds from sale of other financial instruments	491,673		423,796	
Investment income received	19,946		22,549	
Increase in overseas deposits	(4,473)		(3,003)	
Movement in other deposits	890		12,808	
Net cash flows from investing activities		**16,319**		**23,209**
Transfer from the Member in respect of underwriting participation	92,679		84,265	
Net cash flow from financing activities		**92,679**		**84,265**
Net cash flow increase in cash and cash equivalents		**48,937**		**(40,371)**
Cash and cash equivalents at 1 January		98,276		142,095
Effect of exchange rate changes on cash and cash equivalents		739		(3,448)
Cash and cash equivalents at end of year		147,952		98,276
Cash at bank		147,952		98,276
Cash and cash equivalents at 31 December		**147,952**		**98,276**

Notes to the Financial Statements

1 Basis of preparation

The Financial Statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014, and Financial Reporting Standard 103 Insurance Contracts ("FRS 103") as issued in March 2014. The amendments to FRS 102 issued in July 2015 have been applied.

The Financial Statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The COVID-19 pandemic has caused unprecedented social and economic disruption, increased volatility of capital markets and intervention by various governments and central banks around the world. The Syndicate continues to monitor and respond to the global COVID-19 outbreak, in particular the impact on claims that are expected to arise on business previously written. COVID-19 impacted the result of the Syndicate with additional gross losses of £201.7m and net of reinsurance £152.7m, adding 32.9 points to the combined ratio. The losses were primarily a result of cancelled events from the enforced lockdown, impacting our Contingency book.

The Directors have continued to review the capital position, business plans, liquidity and operational resilience of the Syndicate in light of the risks associated with COVID-19. The capital position is subject to internal stress testing and the Syndicate has also taken a number of underwriting actions on its future business, to limit the impact of the pandemic over the next few years. There is no intention to liquidate the Syndicate or to cease its operations. The 2021 year of account has been established and the Directors expect to establish a 2022 year of account, and are not aware of any reason why this will not be possible. They have also concluded that the Syndicate's financial position means that this is realistic. As a result, the directors have concluded that there are no material uncertainties that could cast significant doubt over the Syndicate's ability to continue as a going concern for at least a year from the date of approval of the Annual Accounts ("the going concern period").

2 Accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's annual accounts.

a) Use of judgements and estimates

In preparing these Financial Statements, the Directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates which are based on future economic conditions, and sensitive to changes in those conditions, have been impacted by COVID-19.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Further detail on the use of judgements and estimates is detailed in the underwriting result policy.

b) Underwriting result

The underwriting result is determined using an annual basis of accounting, whereby the incurred cost of claims, commission and expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

i) Written premiums relate to business incepted during the year, together with any difference between booked premiums for prior years and those previously accrued, and include estimates of premiums not yet due or notified. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

ii) Unearned premiums represent the proportion of premiums written in the year that relates to unexpired terms of policies in force at the reporting date, calculated on the basis of established earnings patterns or time apportionment as appropriate. In the opinion of the Directors, the resulting provision is not materially different from one based on the pattern of incidence of risk.

iii) Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

iv) Acquisition costs, which represent commission and other expenses related to the production of business, are deferred and amortised over the period in which the related premiums are earned.

v) A provision for unexpired risks is made where claims, related expenses and deferred acquisition costs likely to arise after the end of the financial year in respect of contracts concluded before that date were expected to exceed the unearned premiums receivable under these contracts. Provision for unexpired risks is calculated separately by class and includes an allowance for investment income. Unexpired risk surplus and deficits are offset where, in the opinion of the Directors, the business classes concerned are managed together. In such cases, a provision for unexpired risks is made only where there is an aggregate deficit.

vi) Claims incurred comprise claims and claims handling expenses paid in the year and the change in provisions for outstanding claims, including provisions for claims incurred but not reported and claims handling expenses. The adequacy of the outstanding claims provisions is assessed by reference to projections of the ultimate development of claims in respect of each underwriting year. Management continually attempts to improve its loss estimation process by refining its ability to analyse loss development patterns, claims payments and other information, but many reasons remain for potential adverse development of estimated ultimate liabilities. The process of estimating loss reserves is a difficult and complex exercise involving many variables and subjective judgements. As part of the reserving process, historical data is reviewed and the impact of various factors such as trends in claim frequency and severity, changes in operations, emerging economic and social trends, inflation and changes in regulatory and litigation environments is considered. Significant delays occur in notifying certain claims and a large measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the reporting date. The reserve for claims outstanding is determined on the basis of information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent development.

The two most critical assumptions as regards these claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the models used for current business are fair reflections of the likely level of ultimate claims to be incurred. However, the Directors believe the process of evaluating past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for predicting future events. COVID-19 has provided additional challenges given the impact on claims in the year and unprecedented nature of the pandemic. The estimation process has required reviewing risks and events which are expected to trigger future reported claims, assumptions on when government restrictions will end and assessing the potential financial loss of insureds. This has required underwriter, claims and actuarial experience in conjunction with external legal opinion and management's professional judgement. Management currently believes the Syndicate's gross and net reserves are adequate. There is no precise method, however, for evaluating the impact of any significant factor on the adequacy of reserves, and actual results are likely to differ from original estimates.

The provisions for claims outstanding, and related reinsurance recoveries, are discounted where there is a long period from incident to claims settlement and where there exists a suitable claims payment pattern from which to calculate the discount. The discount rate used is based upon an investment return expected to be earned by financial assets which are appropriate in value and duration to match the provisions for insurance contract liabilities being discounted during the period expected before the final settlement of such claims.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Syndicate may not recover all amounts due, and that event has a reliably measurable impact on the amount that the Syndicate will receive from the reinsurer. Impairment losses are recognised in the Income Statement: Technical Account in the period in which the impairment loss is recognised.

vii) Underwriting acquisition costs, general overheads and other expenses are charged as incurred to the Income Statement: Technical Account, net of the change in deferred acquisition costs.

c) Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of International Accounting Standard ("IAS 39") *Financial Instruments: Recognition and Measurement* (as adopted for use in the EU).

Classification

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the Income Statement. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate's investment strategy.

Recognition

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate's contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

Measurement

A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through profit or loss are measured at fair value with changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit and loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income. Loans and receivables and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

Investment Return

Investment income comprises interest and dividends receivable for the year before investment expenses. Dividends receivable are stated after adding back any withholding taxation deducted at source. Investment expenses are charged to the Income Statement: Non-Technical Account on an incurred basis.

Realised gains or losses represent the difference between net sales proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the current value of investments at the reporting date and their purchase price. The movement in unrealised investment gains/losses includes an adjustment for previously recognised unrealised gains/losses on investments disposed of in the accounting period.

The investment return is initially recorded in the Income Statement: Non-Technical Account. A transfer is made from the Income Statement: Non-Technical account to the Income Statement: Technical Account to reflect the investment return on funds supporting underwriting business.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

d) Investments

Financial investments are stated at market value, based on bid price and deposits with credit institutions are stated at cost. Financial investments recorded at market value will fall into one of the three levels in the fair value hierarchy as follows;

i) Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

ii) Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate’s own models whereby the significant inputs into the assumptions are market observable.

iii) Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate’s own data.

e) Foreign currency translation

The Syndicate presents its accounts in sterling (the 'reporting currency') since they are subject to regulation in the United Kingdom. Items included in the Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the Syndicate is deemed to be US dollars.

Transactions in foreign currencies are translated at the average rates of exchange for the month of the transactions.

Monetary assets and liabilities are translated at the rate of exchange at the reporting date or if appropriate at the forward contract rate. Non-monetary assets and liabilities are translated at the rate of exchange prevaling on recognition.

All exchange differences arising on the translation of the results and financial position in US dollars (the functional currency) into sterling (the reporting currency) are recognised in the Statement of Comprehensive Income. Exchange differences on all other currencies are recognised in the Income Statement: Non-Technical Account.

f) Taxation

Under Schedule 19 of the Finance Act 1993, Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from Syndicate investment income is recoverable by Managing Agents and consequently the distribution made to Members or their Members' Agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States or Canadian Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the Statement of Financial Position under the heading ‘other debtors’, as the Syndicate is reimbursed by MCAP for any of the Income Taxes paid.

No provision has been made for any overseas tax payable by the Member on underwriting results.

g) Pension costs

MSM participates in the Group's defined benefit and defined contribution schemes. Pension contributions relating to Syndicate staff are charged to the Syndicate and included in net operating expenses.

3 Risk and capital management

Financial risk management objectives

The Syndicate is exposed to financial risks primarily through its financial assets, reinsurance assets and policyholder liabilities. The Syndicate’s risks are recorded on a risk register and managed through the risk management framework. Solvency II principles are used to manage the Syndicate’s capital requirements and to ensure that it has the financial strength to support the growth of the business and meet the requirements of policyholders, regulators and rating agencies.

The key financial risks assessed are underwriting risk, reserving risk, market risk, credit risk, liquidity risk, group risk and operational risk.

a) Underwriting risk

Underwriting Risk is the risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities, focusing on risks that arise from the acceptance of business.

All underwriting at MINT is governed by high level "underwriting principles" that set out imperatives for underwriting. The first of these is related to underwriting profitable business and is "price business at a level which would enable us to achieve the agreed target combined ratios under US GAAP". MINT's fundamental objective is to underwrite profitably on a gross basis and to achieve target combined ratios. A combined ratio is the ultimate loss ratio plus expense ratio. This measure of underwriting performance excludes any benefit from investment return and focuses attention on premium charged, coverage granted, commissions and other deductions and all direct and indirect expenses.

MINT sets prudent maximum line-sizes. All underwriters have written underwriting authorities and there are peer reviews/review processes in place to ensure that business underwritten does not exceed authority or is outside the business plan. Risks exceeding 18 months are not permitted to be written without prior, written approval, although certain general exceptions are made. For example, in respect of Marine Construction risks (where matching reinsurance exists) and this has been agreed in advance as part of the underwriting strategy. Compliance with line-size and policy duration is monitored.

Technical pricing has been developed for many classes, and rate movements have been monitored since 2002.

There are independent reviews of underwriting.

A key method of monitoring MINT's aggregate exposures is the production of a quarterly "Aggregations pack" which sets out our exposures to various elemental and non-elemental perils. For example, for natural catastrophe risk we monitor and report MINT's exposure, both gross and net, to each material region/peril. Units are given aggregate limits for catastrophe business in each zone and adherence to these is monitored within the pack. Natural catastrophe and other exposures form part of Risk Management's quarterly assessment of risk to the Risk & Capital Committee and to the Board.

b) Reserving risk

Reserving risk is the risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities, focusing on risks that arise from the quantification of those liabilities.

Claims handling guidelines set out MINT's approach to claims, including:

- Claims diaries – claims adjusters must ensure that they diarise relevant dates when necessary. There are rules regarding which types of claims are subject to diary management, and targets set are monitored on a monthly basis.
- Panel of third party advisors – a panel of approved third party advisors (Attorneys and Adjusters) has been established. Third party advisors can only be appointed with sign off from a Claims Manager.
- Claims peer review audits – each underwriting division is subject to a periodic claims audit of selected claims files for identifying strengths and weaknesses in the handling of claims. Senior independent claims personnel are responsible for the qualitative review of the handling of files.

A full Actuarial reserving exercise occurs quarterly. This involves internal review within the Actuarial department and discussions with relevant underwriters and claims staff. Combined Ratio packs are produced which contain gross and net projections for all classes of business written at MINT. The packs are discussed in detail at quarterly "Combined Ratio Meetings", which are attended by members of the Board, each unit and the relevant Actuaries.

c) Market risk

Market risk is the risk of loss resulting from adverse financial market movements including interest rates or exchange rates.

Risk appetites are agreed annually by the Board to limit investment concentration. Adherence to these is monitored at the Risk & Capital Committee through Key Risk Indicators. Any exceptions to risk appetite are reported to the Board.

The Syndicate's investment manager, Markel Gayner Asset Management Corporation ("MGAM") produces a quarterly Investment Report which is reviewed quarterly by Markel's investment committee. MSM's Finance Director participates in this meeting. A quarterly investment report is produced for MSM's Board.

The principal market risks and how exposure to these risks is managed are as follows:

- Interest rate risk: The Syndicate works to manage the impact of interest rate fluctuations on the fixed maturity portfolio. The effective duration of the fixed maturity profile is managed with consideration given to the estimated duration of policyholder liabilities.

- Equity price risk: The Syndicate sets limits on the amount of equities that can be held overall and with any one issuer. The overall equity portfolio is also monitored to ensure that equity risk does not exceed the Syndicate's risk appetite.

The table below sets out the Syndicate's sensitivity to interest rate and equity price movement.

	2020 £'000	2019 £'000
Interest rate risk		
Impact of 50 basis point increase on result	(11,777)	(12,052)
Impact of 50 basis point decrease on result	11,968	12,419
Impact of 50 basis point increase on net assets	(11,777)	(12,052)
Impact of 50 basis point decrease on net assets	11,968	12,419
Price risk		
Impact on result of 5% increase in Stock Market Prices	1,610	1,721
Impact on result of 5% decrease in Stock Market Prices	(1,610)	(1,721)
Impact on net assets of 5% increase in Stock Market Prices	1,610	1,721
Impact on net assets of 5% decrease in Stock Market Prices	(1,610)	(1,721)

- Foreign exchange risk: Foreign exchange risk is managed primarily by matching assets and liabilities in each foreign currency as closely as possible. To assist in the matching of assets and liabilities in foreign currencies the Syndicate may purchase foreign exchange forward contracts or buy and sell foreign currencies in the open market. No foreign exchange forward contracts have been entered into during the year (2019, none).

The table below, as reported in converted sterling, details the matching of material currencies in the Statement of Financial Position.

2020 Currency Code	GBP'000	USD'000	EUR'000	CAD'000	AUD'000	JPY'000	Other'000	Total'000
Financial investments	99,318	317,872	90,180	240,275	21,923	-	25,005	794,573
Reinsurers' share of technical provisions	14,759	97,759	14,163	13,759	3,292	635	755	145,122
Insurance and reinsurance receivables	23,673	88,339	(777)	19,858	7,048	(81)	8,221	146,281
Cash at bank	20,681	43,500	33,344	-	17,988	8,080	24,359	147,952
Other assets	3,367	52,348	5,169	7,266	1,836	414	1,347	71,747
Total assets	**161,798**	**599,818**	**142,079**	**281,158**	**52,087**	**9,048**	**59,687**	**1,305,675**
Technical provisions	(239,130)	(683,630)	(135,366)	(214,493)	(45,897)	(7,203)	(36,918)	(1,362,637)
Insurance and reinsurance payables	5,596	(358)	1,260	(59)	(2,813)	(476)	(798)	2,352
Other creditors	(2,452)	(74,874)	(20)	(319)	-	-	(307)	(77,972)
Total liabilities	**(235,986)**	**(758,862)**	**(134,126)**	**(214,871)**	**(48,710)**	**(7,679)**	**(38,023)**	**(1,438,257)**

2019 Currency Code	GBP'000	USD'000	EUR'000	CAD'000	AUD'000	JPY'000	Other'000	Total'000
Financial investments	92,085	279,368	102,350	244,254	32,982	-	26,110	777,149
Reinsurers' share of technical provisions	16,369	130,100	15,459	13,661	3,426	791	1,881	181,687
Insurance and reinsurance receivables	16,537	74,479	(357)	16,646	7,410	(975)	4127	117,867
Cash at bank	15,398	37,036	18,937	-	7,176	2,616	17,113	98,276
Other assets	(3,772)	49,672	4,797	7,898	1,564	382	1,036	61,577
Total assets	**136,617**	**570,655**	**141,186**	**282,459**	**52,558**	**2,814**	**50,267**	**1,236,556**
Technical provisions	(254,439)	(565,767)	(158,206)	(240,171)	(46,736)	(9,150)	(39,729)	(1,314,198)
Insurance and reinsurance payables	9,638	2,899	1,263	(925)	(2,073)	(267)	(661)	9,874
Other creditors	(610)	(40,732)	(1)	(557)	-	(28)	(105)	(42,033)
Total liabilities	**(245,411)**	**(603,600)**	**(156,944)**	**(241,653)**	**(48,809)**	**(9,445)**	**(40,495)**	**(1,346,357)**

d) Credit risk

Credit risk is the risk of loss arising from the inability of a counterparty to fulfil its payment obligations. Key areas where the Syndicate is exposed to credit risk are:

- Amounts recoverable from reinsurers
- Amounts due from insurance intermediaries and insurance contract holders
- Amounts due from corporate bond issuers

The Syndicate’s fixed maturity portfolio is monitored to ensure credit risk does not exceed the Syndicate’s risk appetite. In addition, the Syndicate places limits on exposures to a single counterparty or concentrations of exposures to a specific counterparty. At 31 December 2020, 100% (2019, 100%) of the Syndicate's fixed maturity portfolio is rated 'A' or better.

The Syndicate does not hold any financial investments that are past due or impaired as at 31 December 2020.

The Board sets risk appetites for the amount of exposure it is prepared to accept in respect of reinsurers and brokers. These are monitored through reports to Risk & Capital Committee and any exceptions are reported to the Board.

The Syndicate takes a proactive approach to the collection of reinsurance recoveries, including the pursuit of commutations. New reinsurers may be required to post collateral depending on their size, rating and potential debt to the Syndicate. If a reinsurer is not willing to post collateral then their line size may be reduced to an acceptable level in accordance with their applicable rating and capital.

The table below provides detail of the credit rating by asset class.

2020	**AAA £'000**	**AA £'000**	**A £'000**	**BBB £'000**	**BBB or less £'000**	**Not rated £'000**	**Total £'000**
Shares and other variable yield securities, unit trusts and collective investment schemes	32,207	-	7,459	-	-	133,502	173,168
Debt securities	203,687	328,713	6,916	-	-	-	539,316
Deposits with credit institutions	-	-	-	-	-	-	-
Loans with credit institutions	-	-	-	-	-	-	-
Overseas deposits as investments	36,772	6,758	7,013	6,227	3,303	22,016	82,089
Reinsurers' share of claims outstanding	1,015	63,900	60,671	-	-	8,889	134,475
Reinsurance debtors	-	21,803	10,549	-	-	2,309	34,661
Cash at bank	-	26,303	104,967	-	16,682	-	147,952
Total credit risk	**273,681**	**447,477**	**197,575**	**6,227**	**19,985**	**166,716**	**1,111,661**

2019	**AAA £'000**	**AA £'000**	**A £'000**	**BBB £'000**	**BBB or less £'000**	**Not rated £'000**	**Total £'000**
Shares and other variable yield securities, unit trusts and collective investment schemes	18,642	-	70,690	-	-	34,412	123,744
Debt securities	258,719	305,749	9,704	-	-	-	574,172
Deposits with credit institutions	-	-	-	-	-	-	-
Loans with credit institutions	-	-	1,617	-	-	-	1,617
Overseas deposits as investments	34,936	7,114	7,240	4,832	3,083	20,411	77,616
Reinsurers' share of claims outstanding	1,705	55,697	68,119	-	-	45,087	170,608
Reinsurance debtors	-	3,441	8,380	-	-	5,005	16,826
Cash at bank	-	-	94,751	3,525	-	-	98,276
Total credit risk	**314,002**	**372,001**	**260,501**	**8,357**	**3,083**	**104,915**	**1,062,859**

e) Liquidity risk

Liquidity risk is the risk that sufficient liquid financial resources are not maintained to meet liabilities as they fall due. The Syndicate monitors the projected settlement of liabilities and, in conjunction with MGAM, sets guidelines on the composition of the portfolio in order to manage this risk.

The average duration of liabilities is 4.7 years (2019, 5.1 years). The duration of the Syndicate's investment portfolio is managed to match the expected cash outflows on liabilities.

Each year liquidity stress tests are undertaken to consider possible liquidity pressures which could arise following a significant natural catastrophe, including trust fund requirements. These tests are considered by the Risk & Capital Committee in order to determine that liquidity risk has been mitigated to a satisfactory level.

f) Group risk

Group risk is the risk that actions or events within one part of Markel Corporation adversely affect an entity, or all entities, within MINT.

It is considered that being part of a larger, experienced insurance group, with considerable financial resources and sound reputation, is a strength. MINT has a number of controls, such as internal committees that consider the interests of MINT's legal entities and endeavour to communicate the MINT perspective to Markel, with whom an excellent relationship is enjoyed.

The risk of the Syndicate being part of MINT is also considered. The policy is always to consider the interests of each legal entity, and this single risk strategy, risk management approach, operational procedures and standards are effective in ensuring that each entity is treated equitably.

g) Operational risk

COVID-19 has caused a temporary shift in the operational strategy of the Syndicate from an office based environment to a completely remote working environment. This has meant that internal processes and systems have been put to the test. The Syndicate has adapted to the changes in the operational environment and business processes have continued to be carried out. The Syndicate continues to actively manage operational risks caused by COVID-19, while engaging in open communication with staff.

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Key controls that mitigate each risk on our risk register have been identified together with the appropriate control owner. Each quarter the control owner is required to confirm that the controls they are responsible for have been in place and operating effectively during the previous quarter. Controls relating to the production of financial information, which is governed by the Sarbanes Oxley Act, are tested annually by our Internal Audit team. Senior managers are also required to answer a quarterly questionnaire designed to identify whether there are any changes to processes, or any events which might impact Markel's Financial Statements. Each quarter's confirmation process is summarised by Risk Management in a memo to the President, the Finance Director & Chief Operating Officer, and the Director of Underwriting Operations.

An Incident Log (including Operational Losses and Near Misses) has been compiled. This records and quantifies losses and "near misses" arising from or exacerbated by failure of people, processes and systems as well as those caused by external (non-insurance) events and assists in identifying Risk Events, Key Risk Indicators and also controls which would mitigate a recurrence of such losses.

Reports on a number of areas of Operational Risk form part of the quarterly Key Risk Indicators that are submitted to Risk & Capital Committee and summarised to the Board.

Capital management

The Society of Lloyd's ("Lloyd's") is a regulated undertaking and subject to supervision by the PRA under the Financial Services and Markets Act 2000, and in accordance with Solvency II Framework.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's would comply with the Solvency II requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Every member is required to hold capital at Lloyd’s, which is held in trust and known as Funds at Lloyd's ("FAL"). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members’ underwriting liabilities.

The level of FAL that Lloyd’s requires a member to maintain is determined by Lloyd’s based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these Financial Statements by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

4 Segmental analysis

a) Analysis of business by class:

2020 Calendar Year	Gross Written Premiums £'000	Gross Earned Premiums £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct insurance						
Accident & health	17,214	24,211	(16,470)	(6,199)	334	1,876
Marine, aviation and transport	84,630	91,219	(40,531)	(30,475)	(9,108)	11,105
Fire and other damage to property	64,513	68,973	(28,078)	(23,231)	(6,315)	11,349
Third party liability	167,251	156,392	(49,903)	(60,227)	(14,333)	31,929
Miscellaneous	13,712	16,938	(191,218)	(4,936)	43,793	(135,423)
Total direct	**347,320**	**357,733**	**(326,200)**	**(125,068)**	**14,371**	**(79,164)**
Reinsurance	174,550	172,496	(146,547)	(62,856)	(29,163)	(66,070)
Total	**521,870**	**530,229**	**(472,747)**	**(187,924)**	**(14,792)**	**(145,234)**

2019 Calendar Year	Gross Written Premiums £'000	Gross Earned Premiums £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct insurance						
Accident & health	34,253	28,040	(17,500)	(12,567)	366	(1,661)
Marine, aviation and transport	103,249	108,061	(83,797)	(37,882)	(9,767)	(23,385)
Fire and other damage to property	85,787	84,674	(54,743)	(31,475)	(4,777)	(6,321)
Third party liability	161,709	151,725	(82,576)	(59,331)	2,351	12,169
Miscellaneous	22,848	19,446	(2,748)	(8,383)	(4,187)	4,128
Total direct	**407,846**	**391,946**	**(241,364)**	**(149,638)**	**(16,014)**	**(15,070)**
Reinsurance	135,260	133,207	(80,274)	(49,626)	(23,965)	(20,658)
Total	**543,106**	**525,153**	**(321,638)**	**(199,264)**	**(39,979)**	**(35,728)**

All premiums are derived from business within the Lloyd's Market.

b) Analysis of premium by destination:

	Gross Written Premiums	
	2020 £'000	**2019 £'000**
UK	82,174	74,758
Europe (excluding UK)	32,360	47,485
USA	142,702	179,648
Canada	103,584	102,792
Rest of the world	161,050	138,423
Total	**521,870**	**543,106**

5 Claims outstanding

Net reserves for claims outstanding at 31 December 2019 were reduced by £33.1m in calendar year 2020. Net reserves for claims outstanding at 31 December 2018 were reduced by £23.4m in calendar year 2019.

6 Net operating expenses

	2020 £'000	2019 £'000
Commission costs	114,301	117,926
Other acquisition costs	11,507	8,641
Change in deferred acquisition costs	2,132	2,633
Administrative expenses	59,984	70,064
Gross operating expenses	187,924	199,264
Reinsurance commissions and profit participations	(2,128)	(2,488)
Net operating expenses	**185,796**	**196,776**

Commission paid during the year in respect of direct insurance business amounted to £80.4m (2019, £111.8m). Member's standard personal expenses are included within administrative expenses.

7 Investment income

	2020 £'000	2019 £'000
Income from investments	20,468	22,635
Gains on the realisation of investments	2,459	2,140
Total	**22,927**	**24,775**

8 Investment expenses and charges

	2020 £'000	2019 £'000
Investment management expenses, including interest	2,074	1,992
Losses on the realisation of investments	2,675	2,689
Total	**4,749**	**4,681**

9 Investment return

	2020 £'000	2019 £'000
Investment income	22,927	24,775
Net unrealised gains on investments	15,564	20,464
Investment expenses and charges	(4,749)	(4,681)
Actual return on investments	**33,742**	**40,558**

10 Staff numbers and costs

Staff are employed by Markel International Services Limited ("MISL"). For a full breakdown of employment costs, please refer to the MISL Annual Report and Financial Statements.

The Directors' emoluments in the year were paid by MISL. A full disclosure of the Directors' emoluments in the year are disclosed in the accounts of MIICL.

11 Auditor's remuneration

	2020 £'000	2019 £'000
Audit of these Financial Statements	367	367
Audit-related assurance services	124	124
Total Auditor's remuneration	**491**	**491**

Auditor's remuneration is included as part of administrative expenses in note 6 of these Financial Statements.

12 Remuneration of the active underwriter

The active underwriter until 31 December 2020 was Paul Jenks, who received the following remuneration charged as a Syndicate expense:

	2020 £'000	2019 £'000
Emoluments	**164**	**284**

13 Financial Investments

	Market Value		Cost	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Shares and other variable yield securities and units in unit trusts	39,666	34,412	24,789	17,125
Holdings in collective investment schemes	133,502	89,332	133,502	89,332
Debt securities and other fixed income securities	539,316	574,172	511,290	563,654
Overseas deposits	82,089	77,616	82,089	77,616
Loans with credit institutions	-	1,617	-	1,617
Total	**794,573**	**777,149**	**751,670**	**749,344**

The following table shows financial investments recorded at Market Value analysed between the three levels in the Market Value hierarchy as detailed in note 2(c).

2020	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Shares and other variable yield securities and units in unit trusts	32,207	-	7,459	39,666
Holdings in collective investment schemes	133,502	-	-	133,502
Debt securities and other fixed income securities	-	539,316	-	539,316
Overseas Deposits	-	82,089	-	82,089
Loans with credit institutions	-	-	-	-
Total	**165,709**	**621,405**	**7,459**	**794,573**

2019	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Shares and other fixed income securities and units in unit trusts	34,412	-	-	34,412
Holdings in collective investment schemes	89,332	-	-	89,332
Debt securities and other fixed income securities	38,923	535,249	-	574,172
Overseas deposits	-	77,616	-	77,616
Loans with credit institutions	-	1,617	-	1,617
Total	**162,667**	**614,482**	**-**	**777,149**

14 Debtors arising out of direct insurance operations and reinsurance operations

	Direct insurance operations		**Reinsurance operations**	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Amounts owed by intermediaries within one year	106,076	96,035	40,189	21,787
Amounts owed by intermediaries after more than one year	-	13	16	32
Total	**106,076**	**96,048**	**40,205**	**21,819**

15 Other debtors

	2020 £'000	**2019 £'000**
Amounts due from group undertakings	22,738	9,359
Other debtors	4,703	5,235
Amounts due within one year	**27,441**	**14,594**

16 Year of Account development

Year of Account	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	Profit to Member at 36 months £'000
2013 & prior	80,354	30,116						110,470
2014	(24,898)	30,866	73,243					79,211
2015		(48,036)	32,043	37,621				21,628
2016			(69,313)	18,395	44,173			(6,745)
2017				(128,714)	19,255	49,260		(60,199)
2018					(83,484)	9,594	8,131	(65,759)
2019						(53,234)	(66,496)	
2020							(57,095)	
Calendar Year Result	**55,456**	**12,946**	**35,973**	**(72,698)**	**(20,056)**	**5,620**	**(115,460)**	

During the year open year cash calls of £35.0m and £75.0m were paid from the corporate member to the Syndicate in relation to the 2018 and 2019 years of account respectively. Following the £35.0m open year cash call being paid on the 2018 year of account a further cash call has been proposed of £30.8m which will be paid during the second quarter of 2021 (2020, £17.3m distribution to the corporate member in relation to the 2017 year of account following an open year cash call of £77.5m paid during 2019).

17 Technical provisions

	2020			2019		
Provision for claims outstanding	**Gross £'000**	**Reinsurance £'000**	**Net £'000**	**Gross £'000**	**Reinsurance £'000**	**Net £'000**
At 1 January	1,123,995	170,608	953,387	1,231,828	210,851	1,020,977
Movement in provision	70,419	(35,454)	105,873	(87,851)	(36,873)	(50,978)
Movement due to foreign exchange	(9,808)	(679)	(9,129)	(19,982)	(3,370)	(16,612)
Total movement in reserves	60,611	(36,133)	96,744	(107,833)	(40,243)	(67,590)
At 31 December	**1,184,606**	**134,475**	**1,050,131**	**1,123,995**	**170,608**	**953,387**

	2020			2019		
Provision for unearned premiums	**Gross £'000**	**Reinsurance £'000**	**Net £'000**	**Gross £'000**	**Reinsurance £'000**	**Net £'000**
At 1 January	190,203	11,079	179,124	176,680	12,726	163,954
Movement in provision	(8,359)	(223)	(8,136)	17,953	(1,354)	19,307
Movement due to foreign exchange	(3,813)	(209)	(3,604)	(4,430)	(293)	(4,137)
Total movement in reserves	(12,172)	(432)	(11,740)	13,523	(1,647)	15,170
At 31 December	**178,031**	**10,647**	**167,384**	**190,203**	**11,079**	**179,124**

Deferred acquisition costs	**2020 £'000**	**2019 £'000**
At 1 January	42,318	46,087
Change in deferred acquisition costs	(2,132)	(2,633)
Movement due to foreign exchange	(850)	(1,136)
At 31 December	**39,336**	**42,318**

The following tables have been revalued to reflect the current year end rates of exchange.

Gross outstanding claims provision as at 31 December 2020

Before the effect of reinsurance, the loss development table is:

Underwriting year	All prior years £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	Total £'000
Estimate of cumulative claims incurred												
At end of underwriting year		233,143	231,781	159,379	118,783	110,760	131,482	338,515	195,971	125,696	137,888	
One year later		388,434	324,744	303,961	238,980	232,804	292,486	493,293	363,439	419,632		
Two years later		429,190	404,498	340,746	253,906	238,917	308,199	520,252	396,474			
Three years later		512,409	429,731	297,881	236,628	245,439	305,942	529,327				
Four years later		560,009	411,738	315,847	254,089	233,508	298,360					
Five years later		552,517	416,718	304,415	255,880	229,541						
Six years later		538,034	411,823	306,586	250,452							
Seven years later		541,358	416,364	307,803								
Eight years later		536,516	414,965									
Nine years later		536,201										
Cumulative paid claims												
At end of underwriting year		(20,342)	(18,155)	(13,713)	(8,264)	(10,745)	(20,957)	(38,832)	(19,095)	(15,803)	(16,637)	
One year later		(109,940)	(103,148)	(87,111)	(64,118)	(71,615)	(97,979)	(188,824)	(113,034)	(118,213)		
Two years later		(243,710)	(189,472)	(176,589)	(105,899)	(120,797)	(174,742)	(302,113)	(212,887)			
Three years later		(362,523)	(279,396)	(195,814)	(143,854)	(149,573)	(215,211)	(363,278)				
Four years later		(470,413)	(294,469)	(207,647)	(167,865)	(171,321)	(247,244)					
Five years later		(477,817)	(299,701)	(225,192)	(202,359)	(189,505)						
Six years later		(478,719)	(318,555)	(234,386)	(214,944)							
Seven years later		(487,873)	(331,876)	(245,316)								
Eight years later		(496,360)	(339,313)									
Nine years later		(501,574)										
Gross outstanding claims provision at 31 December 2020	**112,840**	**34,628**	**75,652**	**62,487**	**35,541**	**40,036**	**51,116**	**166,049**	**183,587**	**301,419**	**121,251**	**1,184,606**

Net outstanding claims provision as at 31 December 2020

After the effect of reinsurance, the loss development table is:

Underwriting year	All prior years £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	Total £'000
Estimate of cumulative claims incurred												
At end of underwriting year		180,447	181,442	152,970	112,648	101,005	123,307	207,995	151,744	115,987	120,445	
One year later		304,352	285,902	268,664	213,852	214,377	265,064	369,020	312,331	370,063		
Two years later		340,748	341,069	297,889	208,839	196,427	282,310	392,780	337,346			
Three years later		382,235	354,481	252,525	199,028	203,081	281,565	391,751				
Four years later		402,586	342,502	273,065	212,510	192,741	288,328					
Five years later		387,025	346,829	260,014	218,318	189,919						
Six years later		375,942	340,390	262,483	215,358							
Seven years later		380,344	336,530	263,878								
Eight years later		376,525	335,636									
Nine years later		376,459										
Cumulative paid claims												
At end of underwriting year		(17,631)	(16,743)	(11,793)	(8,116)	(10,391)	(20,753)	(31,034)	(18,908)	(15,744)	(16,412)	
One year later		(90,302)	(90,258)	(70,219)	(61,037)	(68,450)	(93,476)	(143,141)	(99,013)	(99,311)		
Two years later		(183,099)	(152,809)	(139,833)	(97,922)	(114,094)	(163,166)	(230,920)	(176,679)			
Three years later		(254,328)	(221,588)	(154,600)	(126,027)	(141,699)	(202,457)	(258,588)				
Four years later		(313,503)	(229,629)	(164,865)	(142,790)	(162,294)	(233,846)					
Five years later		(319,592)	(234,672)	(182,223)	(170,425)	(179,648)						
Six years later		(320,979)	(250,062)	(191,372)	(182,520)							
Seven years later		(328,389)	(262,325)	(202,191)								
Eight years later		(333,388)	(269,657)									
Nine years later		(338,519)										
Net outstanding claims provision at 31 December 2020	**118,320**	**37,941**	**65,979**	**61,687**	**32,838**	**10,271**	**54,482**	**133,163**	**160,667**	**270,752**	**104,033**	**1,050,133**

18 Creditors arising out of direct insurance operations and reinsurance operations

	Direct insurance operations		Reinsurance operations	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Amounts owed to intermediaries within one year	(2,813)	(8,238)	461	(1,636)
Total	**(2,813)**	**(8,238)**	**461**	**(1,636)**

The debit balances within amounts owed to intermediaries results from cash paid after the closure of our underwriting system, which occurs prior to year end. This cash represents paid claims which, when the Underwriting Signing Messages are recognised in the following period, will reduce insurance reserves and hence reduce the liabilities on the Statement of Financial Position.

19 Other creditors

	2020 £'000	**2019 £'000**
Amounts due to other group undertakings	77,972	42,033
Total	**77,972**	**42,033**

20 Discounted claims

The claims relating to Payment Protection Orders "PPOs" have been discounted as follows:

	Discount rates		Mean term of liabilities	
Class of business	**2020**	**2019**	**2020**	**2019**
Motor	3.0%	3.0%	19.3 years	21.9 years

The period that will elapse before claims are settled is determined using adjusted mortality tables.

The claims provisions before discounting are as follows:

	2020 £'000	**2019 £'000**
Total claims provisions before discounting	95,287	97,546
Reinsurers' share of total claims provisions before discounting	-	-
Net claims provisions before discounting	**95,287**	**97,546**
Discount credit	(49,393)	(48,948)
Net claims provisions post discounting	**45,894**	**48,598**

21 Related parties

MISL and Markel Services Incorporated ("MSI") provides services to the Syndicate. The amounts charged to and balances due from the Syndicate at the year end are:

	2020 £'000	2019 £'000
Expenses recharged	(48,333)	(58,235)
Expenses settled in the year	65,816	56,194
Year end balance due from the Syndicate	(7,744)	(25,228)

The Syndicate pays Income Tax for various territories, the most notable being Canadian and United States Income Tax, which is reimbursed by MCAP. The Syndicate has paid the following amounts and balances due to the Syndicate at the year end are:

	2020 £'000	2019 £'000
United States and Canadian Income Tax paid by the Syndicate in the year	707	3,499
United States and Canadian Income Tax reimbursed by MCAP in the year	(2,193)	(1,935)
Other Income Taxes paid to the Syndicate in the year	(6)	(21)
Year end balance due to the Syndicate	1	1,493

The following companies provide services to the Syndicate. The amounts charged to and balances due (from)/to the Syndicate at the year end are:

	Management Fees Charged 2020 £'000	Management Fees Settled 2020 £'000	YE balance due (from)/to the Syndicate 2020 £'000	Management Fees Charged 2019 £'000	Management Fees Settled 2019 £'000	YE balance due (from)/to the Syndicate 2019 £'000
Markel International Singapore PTE Limited	(3,380)	3,245	(940)	(4,814)	8,913	(804)
Markel International Hong Kong Limited	(1,859)	1,771	(381)	(1,243)	2,095	(292)
Markel International Labuan Limited	(729)	724	(8)	(673)	1,242	(4)
Markel International Dubai Limited	(1,168)	1,182	(19)	(986)	1,436	(33)
Markel Underwriting Services Limited	-	(203)	-	(426)	6,852	203

The Syndicate reinsures Markel Resseguradora Do Brasil S.A, a fellow group company, for premiums written on their Surety account. The following reinsurance amounts in the year and balances at the end of the year are:

	2020 £'000	2019 £'000
Premiums assumed	90	75
Incurred claims movement	309	194
Year end balance due from the Syndicate	(263)	(113)

The Syndicate has a reinsurance arrangement with MIICL in relation to its US Wind and Quake, Japanese Wind and Quake and European Wind exposure.

The Syndicate has recognised the following amounts in the year and the balances due to/(from) the Syndicate at the end of the year relating to these are:

	2020 £'000	**2019 £'000**
Premiums ceded to MIICL	(4,205)	(5,573)
Incurred claims movement	(782)	(5,667)
Year end balance due to the Syndicate	-	1,263

MGAM is the Syndicate investment manager. The following amounts have been charged to the Syndicate:

	2020 £'000	**2019 £'000**
Fees paid	2,074	1,992
Year end balance due from the Syndicate	-	-

During 2020, John Spencer was a director of UK General Insurance Limited. The Syndicate has a 50% line on a £10m xs £15m PI policy. John Spencer resigned as a director of UK General Insurance during 2020.

During 2020, Ralph Snedden was a director of Dual International Limited. The Syndicate has a 40% line on a £10m xs £30m PI Policy. Ralph Snedden resigned as a director of the Syndicate on 31 December 2020.

During 2020, Wai Au provided advisory services to Oaktree Capital Management L.P. The advisory roles were in respect of Duolgi, a digital lending business, and EZBOB, an Israeli tech company. Wai no longer provides advice to the tech company, but continues to advise Duologi. The Syndicate has a 6.25% line on a $37m xs 0 declaration in respect of Oaktree Capital Management L.P. under a Marsh Terrorism Line Slip.

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